



The Family Liaison Office

Guide to Starting a Home-Based Business





PREFACE

The Family Liaison Office (FLO) has demonstrated its profound concern for family member employment issues that continue to plague the spouses of Foreign Service personnel during overseas assignments. The Employment Section of the Family Liaison Office continually seeks new ideas and initiatives in an effort to bring more options to career spouses wishing to continue their personal career development.

Recently, several new employment initiatives received State Department funding. First, the Strategic Networking Assistance Program (SNAP), which is now located in more than 30 posts, was initiated in 2001. The next program to be funded was the Global Employment Strategy that is now building partnerships with large multinational companies and NGOs in order to open employment doors for spouses with development and/or business experience who wish to find valuable employment while posted overseas. The most recent initiative, funded by the Cox Foundation, is the E-Entrepreneur training that has been offered in the Washington DC area several times in 2005 and that will be offered at each of the SNAP posts in September of this year. This latest initiative is one of FLO's responses to the growing interest by spouses overseas in starting a home-based business. Thus, this *Starting a Home-Based Business Guide* is part of the continuing commitment of FLO to respond to the needs of spouses.

In consulting this guide, spouses interested in starting and operating their own businesses can find answers to the many questions that spring forth in undertaking such an endeavor. We've even included the specific questions to ask of post management, in the event this is your first attempt at operating a business and you are unsure of what you need to know. The emphasis in this guide is on information that is particularly relevant to the diplomatic status of so many spouses living overseas. The resources section abounds with general business start-up background Web sites and books, as well as many sources that provide post-specific information.

As FLO continues its efforts to conceive of and offer innovative programs to serve our clientele, we hope that this guide will prove useful to aspiring entrepreneurs among our family members, and serve as a reminder of our commitment to furthering their employment endeavors.

The Family Liaison Office
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INTRODUCTION

While taking the initiative to start your own business is a huge step in your career management, there is a great deal of free and inexpensive assistance available to you worldwide. However, one area that isn't covered by any of this available information is the specific concerns a diplomatic spouse must address. This section will discuss these concerns and provide specific FAM citings where applicable.

Many spouses around the world are trying their hand at home-based businesses. This type of endeavor allows the individual to keep busy, maintain professional skills and earn an income while staying at home. This is often a quite attractive situation for spouses with skills that are easily marketed via the Internet or through artisan galleries, bazaars and expatriate communities. Spouses are limited only by their own interests and finances in the scope of the business they decide to enter.

Where to Start

If you are considering opening a business in your home, you need to start with the Management Officer at post. It is vital to determine what host country government procedures you must follow; the source of that information is the Management section of your mission. It is possible that you will not have to register your company, obtain a work permit or even pay local taxes, but that is not normally the case. Generally, the only time these requirements do not apply is when your entire business involves only individuals with diplomatic status or when you conduct all business via the Internet and do not collect or disburse funds from a local account or in the local currency. However, you should still check with your Management Officer before proceeding.

Additionally, all businesses to be operated from U.S. government owned or leased property must be approved prior to proceeding. When checking on the host country requirements, be sure to request authorization from the Management officer to conduct business from your home. This is generally just a formality, as 6 FAM 725.7 does grant permission to use the housing to conduct a private business for personal financial gain. There are some restrictions and the final decision is left to the Management Officer. Because spouse employment is a serious concern for the Foreign Service, Management Officers generally make every attempt to allow the business operation.

Questions to Ask

Often spouses who do not have a business background are interested in starting a small or medium-sized business. However, they are almost always uncertain about what questions to ask before initiating a business. Below you will find a list



of questions that will help you in obtaining the information you need to create a legal enterprise in your host country. The Management Officer may not know the answers to all of these questions, but s/he will know which staff member will have the answers.

1. What are the relevant local laws, concerning a small-business startup and operation?
2. Can a spouse operating a business hire other people? Does s/he have to pay local taxes on employees? Depending on whether those hired are diplomats, expatriates, or locals, are there different rules?
3. If a spouse serves only diplomats, does s/he have to register the business locally?
4. Have you had to restrict the types of businesses to be operated from a USG-owned or leased home? Please explain.
5. Are legal requirements for home-based or small businesses for diplomats' spouses different from those of other third-country nationals? How do the requirements change for a spouse who is also a host-country national?
6. What are the specific insurance requirements for home-based businesses?
7. Do spouses starting their own businesses need work permits?
8. How is immunity restricted for a spouse who is freelancing or operating a home business? If the immunity is restricted, is this done officially?
9. Does a spouse have to register his/her business with a local trade office or government agency?
10. If a spouse has a telecommuting position with a U.S. or foreign firm and does all the work online, does s/he have to receive host country Foreign Affairs permission?
11. Who is the point of contact in your mission for spouses wishing to start a business?
12. What fees are charged to spouses of diplomats in registering and opening a local home-based business?
13. What restrictions would be applied to a diplomatic spouse selling locally made products to international customers via an Internet business?



HOME-BASED BUSINESS AND THE IRS

Even if you are not required to register your business with the host government, you may still want to register with the U.S. government. Remember, if you are out of the U.S. for at least 335 days per year, you can claim up to \$80,000 of Foreign Earned Income for which you are not taxed. If your company is registered in the U.S., it will be easier to substantiate from where your income originated. You may also want to pay into your Social Security Account quarterly so that you continue to earn credits toward retirement.

The following statement was taken directly from the www.irs.gov Website and does not include USG employees' income from the USG while working and living overseas on assignment.

What is foreign earned income? Is it income from a foreign source or income paid by a U.S. company while living abroad?

Earned income is pay for personal services performed, such as wages, salaries, or professional fees. Foreign earned income is income you receive for services you perform in a foreign country during a period when your tax home is in a foreign country and during which you meet either the bona fide residence test or the physical presence test. It does not matter whether earned income is paid by a U.S. employer or a foreign employer. Foreign earned income does not include the following:

- The previously excluded value of meals and lodging furnished for the convenience of your employer.
- Pension or annuity payments, including social security benefits.
- Payments by the U.S. Government, or any U.S. Government agency or instrumentality, to its employees.
- Amounts included in your income because of your employer's contributions to a nonexempt employee trust or to a non-qualifying annuity contract.
- Recaptured unallowable moving expenses
- Payments received after the end of the tax year *following* the tax year in which you performed the services that earned the income.

IRS References:

- *Tax Guide for U.S. Citizens and Resident Aliens Abroad*, [Publication 54](#)
- *Foreign Tax Credit for Individuals*, [Publication 514](#)
- *Foreign Earned Income*, [Form 2555](#) (PDF)



- *Foreign Earned Income Exclusion*, [Form 2555EZ](#) (PDF)
- *Foreign Tax Credit*, [Form 1116](#) (PDF)
- *Foreign Earned Income Exclusion - General* [Tax Topic 853](#),

Do I have to meet the 330-day presence test or have a valid working-resident visa to meet the requirement for foreign income exclusion?

To claim the foreign earned income exclusion, the foreign housing exclusion, or the foreign housing deduction, you must have foreign earned income, your tax home must be in a foreign country, and you must be one of the following:

- A U.S. citizen who is a bona fide resident of a foreign country or countries for an uninterrupted period that includes an entire tax year,
- A U.S. resident alien who is a citizen or national of a country with which the United States has an income tax treaty with a nondiscrimination article in effect and who is a bona fide resident of a foreign country or countries for an uninterrupted period that includes an entire tax year, or
- A U.S. citizen or a U.S. resident alien who is physically present in a foreign country or countries for at least 330 full days during any period of 12 consecutive months.

U.S. tax law does not specifically require a foreign resident visa or work visa for this purpose, but you (must/should) comply with the other country's laws.

If you are required to pay host country taxes, you can receive a credit for the taxes paid when filing your U.S. taxes. This will eliminate the double tax burden.

Why Choose the Credit?

The foreign tax credit is intended to relieve you of the double tax burden when your foreign source income is taxed by both the United States and the foreign country. Generally, if the foreign tax rate is higher than the U.S. rate, there will be no U.S. tax on the foreign income. If the foreign tax rate is lower than the U.S. rate, U.S. tax on the foreign income will be limited to the difference between the rates. The foreign tax credit can only reduce U.S. taxes on foreign source income; it cannot reduce U.S. taxes on U.S. source income.

Although no one rule covers all situations, it is generally better to take a credit for qualified foreign taxes than to deduct them as an itemized deduction. This is because:

- A credit reduces your actual U.S. income tax on a dollar-for-dollar basis, while a deduction reduces only your income subject to tax,



- You can choose to take the foreign tax credit even if you do not itemize your deductions. You then are allowed the standard deduction in addition to the credit, and
- If you choose to take the foreign tax credit, and the taxes paid or accrued exceed the credit limit for the tax year, you may be able to carry over or carry back the excess to another tax year. (See *Limit on the Credit* under *How to Figure the Credit*, at www.irs.gov .)



REGULATIONS

It is important to note that questions presented to the Management officer do not have comprehensive worldwide answers. The answers must be determined within the framework of local bilateral work agreements, de facto work arrangements, local tax law and Foreign Ministry interpretation of diplomatic immunity. Therefore, the Management officer at your post needs to provide the local answers for you.

Areas of Concern

Permission

3 FAM 4125(b) A spouse or family member should notify the principal Administrative Officer at post *before* acceptance of intended outside employment

Immunity

3 FAM 4125(c) A spouse or family member accepting employment abroad should bear in mind that he or she loses civil immunity from judicial process for activities relating to employment and would be subject to the payment of taxes on income from non-diplomatic employment.

Use of USG rented housing

6 FAM 725.7 (a) The Department fully supports the desire of many spouses and family members to secure employment while posted abroad. Spouses and family members of employee occupants of U.S. Government-held or LQA/OHA housing may use the housing for the conduct of a private business for personal financial gain, provided that such conduct conforms to the provisions of paragraphs b or c in this section.

6 FAM 725.7 (b) Such housing may be used for activities that foster cultural understanding between the embassy community and the local community and/or provide a benefit to mission employees or families, as determined by the chief of mission.

6 FAM 725.7 (c) Such housing may be used for commercial activities if approved by the chief of mission or, in the case of an ambassador's residence, by the relevant regional bureau assistant secretary in response to a written request. The chief of mission or assistant secretary shall approve such requests where:

- (1) As set forth in [3 FAM 4125](#), the proposed activity would meet the following standards:
 - (a) It would not violate any law of the host country;



- (b) It would not require or entail a waiver of diplomatic privileges or immunities deemed unacceptably broad by the chief of mission or assistant secretary; and
- (c) It would not otherwise damage the interests of the United States as determined by the chief of mission or assistant secretary;
- (2) The chief of mission or assistant secretary, determines that the proposed activity is appropriate, taking into account local customs and norms, post security and other relevant considerations, and whether the activity would adversely affect the work of the post;
- (3) The proposed activity does not require substantial use of the housing by non-U.S. Government employees and their families (e.g., retail sales from a residence would not be permitted, but individual piano lessons or tutoring may be in appropriate cases) or, in the case of use of the ambassador's residence, the proposed activity does not involve any use of the residence by non-U.S. Government employees and their families;
- (4) If determined to be necessary by the *management* officer at post to protect the Department from significantly increased risk of liability, the occupant obtains liability insurance covering the proposed use or presence in the residence by non-U.S. Government employees and their families;
- (5) The chief of mission or assistant secretary determines that the proposed commercial activities of the spouse or family member would not create a conflict or appearance of conflict of interest with the U.S. Government employee's duties; and
- (6) The person who will conduct the commercial activities provides assurances that the business will comply with all relevant local legal requirements (e.g., licenses, work permits, and similar regulations).

6 FAM 725.7 (d) If any commercial activity approved under either paragraphs b or c of this section causes increased operating or continuing maintenance costs to the U.S. Government, the occupant must pay the increased costs attributable to such use. Costs for installation of any equipment as well as for returning the property to former condition are borne by the occupant. In addition, notwithstanding paragraphs b and c of this section, under no circumstances will a commercial activity be approved that requires the regular presence of employees of the spouse or family member in the residence. Finally, the chief of mission or the assistant secretary may at any time revoke approval of a commercial activity approved pursuant to this section, if any of the standards set forth above are no longer met.



Pouch, APO/FPO, and USPS Use

5 FAM 311 General Policies

- a. Users of the Diplomatic Pouch and Mail Service (DPS) must observe the procedures described in [5 FAH-10](#), Pouch and Mail Handbook.
- b. All mail must show a complete and valid return address, which, for non-Department users, includes Agency.
- c. The address and return address of all official mail delivered to or through the Department's pouch and mail system or the United States Postal Service (USPS) must be in typographic form (e.g., typewritten, stamped, or printed) and bear the appropriate 9-digit ZIP code number. The ZIP code number must appear in the last line of the address following the city and state by not more than two spaces.
- d. Express Mail and private courier services must not be used for other than the most urgent official business.
- e. Personal parcels must not be sent through the Department internal messenger service. If personal parcels are received through the Department messenger service, they will be returned to the sender or donated to charity if the sender is not known.

5 FAM 341 General Policies

- a. The Vienna Convention and international law limit the use of diplomatic pouches to correspondence and items for official use. The Department permits U.S. citizen employees to use pouches to transmit limited amounts of mail, when it is determined to be in the best interest of the Department.
- b. Within strictly supervised limits, regular U.S. government employees and their dependents may use the diplomatic pouch for mail. Mail is sent in the pouch solely at the risk of the sender. The Department assumes no responsibility for mail in the pouch.
 - (1) Eligible items are letters, flats, and parcels of regular U.S. citizen employees of the Federal Government (and their dependents) who are assigned to posts overseas that do not have Military Postal Service (MPS) support.
 - (2) At hardship posts eligible employees and dependents may receive unprohibited foodstuffs through the pouch in limited amounts per calendar year. An employee may receive additional amounts of foodstuffs in special circumstances with approval from the Department (A/LM/PMP/DPM). Make the request through the administrative officer.
- c. Postage at the appropriate U.S. domestic rate must be affixed to mail for pouch transmission. Diplomatic Pouch Mail without postage transmitted by pouch violates the Private Express Statutes [39 U.S.C. 601](#) - 606 and [18](#)



[U.S.C. 1693](#) - 1699 and 1724.

- d. Individuals, organizations, and businesses are not authorized to use the Diplomatic Pouch and Mail Service facilities to send unsolicited advertisements in the form of mass mailings or any other form to individuals at posts.

5 FAM 343.1 Department of State Contract Employees

Department of State contract employees are not automatically granted full access to the pouch for mail.

- (1) To use the pouch contract employees must be U.S. citizens, hired in the U.S. to perform official U.S. Government work overseas for a specific period of time.
- (2) Local hire contractors overseas are not authorized to use the pouch.



INTERNET RESOURCES FOR SPECIFIC POSTS

The Websites listed below will be useful if you seek detailed information on starting a business in a specific country.

Azerbaijan

- www.amchamaz.org/
- www.aon.com/az/en/about/office_locations.jsp
- www.azer.com
- www.bakernet.com/BakerNet/Resources/Publications/Recent+Publications/DoingBusinessInAzerbaijanBrochure/March2005.htm
- www.bisnis.doc.gov/bisnis/isa/011123CCGAZ.pdf
- www.bisnis-eurasia.org
- www.internationalentrepreneurship.com/asia_entrepreneur/azerbaijan_entrepreneur.asp?countryid=121&contid=2
- www.cabc-global.com
- www.deloitte.ru
- www.ey.com
- <http://rruworldbank.org/DoingBusiness/LocalPartners/StartingBusiness.aspx?economyid=14>
- www.justice.gov.az
- www.ledinghamchalmers.com/locations/Baku.htm
- www.pwcglobal.com/cs/eng/ins-sol/publ/azerbaijan.html
- www.salans.com
- www.buyusa.gov/turkey/en/doingbusinessinazerbaijan.html
- www.azembassy.com/economy/Doingbussiness1.htm
- *Doing Business in Azerbaijan*, edited by Jonathan Wallace and Nadine Kettaneh

Belgium

- www.amchameu.be/AboutUs/about.htm
- www.americanclubbrussels.org – American Club of Brussels
- www.awcb.org – American Women's Club of Brussels
- www.brussels-relocation.com – Brussels Relocation
- www.hlb.com/dbifiles/belgiu.asp - Doing Business in Belgium – HLB International
- www.invesgtinbrussels.com – Starting a business
- www.eurochambres.be/women/project_partners.htm - Women in Business and in Decision Making



Bolivia

- www.amchambolivia.com
- www.worldbiz.com/bolivia.html
- <http://lapaz.usembassy.gov/english/commercial/business.htm>
- www.bomchilgroup.org/bolfaq.html
- www.practicallaw.com/2-200-1011
- <http://rru.worldbank.org/DoingBusiness/ExploreTopics/StartingBusiness/Details.aspx?economyid=25>

Canada

- www.cbasc.org/osbw/workshop.html - Online small business workshop – a step-by-step web-based program designed to help develop your business idea, start a new venture, or improve an existing small business
- www.sb.gov.bc.ca/smallbus/workshop/conceptets.html - 40 concepts for starting a small business – Helps you generate, develop, and evaluate your ideas to determine if they are potentially viable business opportunities.
- www.cbasc.org/ontario/bis/display.cfm?Code-4013 – market research
- www.cbasc.org/ontario/bis/display.cfm?Code-2806 – international market research
- www.entreworld.org/Channel/SYB.cfm?Topic=MktE – market evaluation
- http://ottawa.ca/city_services/yzi/business/index_en.shtml - Starting a Business
- www.entrepreneurship.com/phases/starting/phaseStartingTools.asp -
- www.iwin.on.ca/ottawa/self_employ_services_e.htm - Self-Employment Service Providers
- www.amchamcanada.ca/
- www.hlb.com/dbfiles/canada.asp - *Doing Business in Canada*, HLB International
- www.homebiz.ca – Canadian Home and Micro Business Federation. This site provides entrepreneurs with information, support and inspiration
- <http://ressourcesentreprises.org> – An economic development organization whose mission is to provide informational and professional support for business development in Quebec
- <http://strategis.ic.gc.ca/cgi-bin/allsites/motd/motDspl.pl?lang=e&link+/engdoc/main.html> - Canada's largest business information web site. It has a massive amount of information on every aspect of business and industry, and can direct you to helpful resources and organizations
- *The Complete Canadian Small Business Guide, 3rd Edition*, by Douglas A. Gray
- *The Canadian Home-Based Business Guide*, by Douglas A. Gray & Diana L. Gray
- *Starting a Successful Business in Canada, 15th Edition*, by Jack D. James
- *Building a Dream: A Canadian Guide to Starting Your Own Business, 4th Edition*, by Walter S. Good
- *Raising Your Business – A Canadian Woman's Guide to Entrepreneurship*, by Joanne Thomas Yaccato



- *Montreal Entrepreneur's Guidebook*, YES – Youth Employment Services, edited by Charles B Crawford

Costa Rica

- www.amcham.co.cr/ - The Costa Rican American Chamber of Commerce
- www.hlb.com/dbfiles/costarica.asp - *Doing Business in Costa Rica*, HLB International
- www.buyusainfo.net/docs/e_8772428.pdf - *The Country Commercial Guide*, U.S. Department of Commerce
- www.cinde.or.cr - Costa Rica Coalition for Development Initiatives
- www.procmer.com – The Costa Rica Foreign Trade Corporation
- www.tramites.go.cr/manual/english/default.htm - *The Investor's Manual*
- www.leylaboral.com - Labor laws for Central America
- www.hacienda.go.cr/ - Ministerio de Hacienda (Costa Rica's equivalent of the US Treasury, IRS)
- www.buyusainfo.net/docs/x_8772428.pdf - *The Country Commercial Guide*, U.S. Commercial Services
- www.empleo.com/ - An employment Internet search service

Czech Republic

- www.pwc.com/cz/en/ins-sol/spec-int/taxguide/index.html - Online business guide to the Czech Republic
- www.CzechPoint101.com – The Complete Guide to Living, Working & Investing in the Czech Republic!
- www.mpo.cz/EN/Zivnostenske_podnikani/Pruvodce_zivn_zahr_osoby/default.htm - application for trade permit: natural persons with domicile outside the Czech Republic
- www.mvcr.cz/reforma/ - register for Czech Republic taxes
- www.czech.cz/ - work permit and tax information
- www.amcham.cz – American Chamber of Commerce in the Czech Republic
- *The Layperson's Introduction to Founding a Small Business in the Czech Republic*, by Breitmeyer, H.H
- *The Complete Guide to Living, Working and Investing in the Czech Republic!*, by David S. Showalter

Egypt

- www.amcham.org.eg/ - American Chamber of Commerce in Egypt
- www.touregypt.net/magazine/mag09012000/magf3.htm
- www.buyusa.gov/egypt/en/doingbusinessinegypt.html
- www.businessculture.com/egypt.html
- www.hollandemb.org/eg/english/Guidelines/
- www.todaytranslations.com/index.asp-Q-E-Doing-Business-in-Egypt-25061762



- www.businessculture.com/egypt/
- www.pogar.org/countries/finances.asp?cid=5
- <http://rru.worldbank.org/DoingBusiness/LocalPartners/StartingBusiness.aspx?economyid=61>
- *Doing Business in Egypt*, by Marat Terterov

El Salvador

- www.amchamsal.com/about.asp - American Chamber of Commerce El Salvador
- www.amchamsal.com/Publicationsdetail.asp?id=4&level=0&order=
- www.bomchilgroup.org/salfaq.html
- www.ariaslaw.com/doingbusinesses.doc
- <http://rru.worldbank.org/DoingBusiness/LocalPartners/StartingBusiness.aspx?economyid=62>
- www.msi-netwrok.com/content/doing_business_in_elsalvador-page1a.asp
- <http://sansalvador.usembassy.gov/file/commercial/CountryCommercialGuideforElSalvador.pdf>
- www.businessculgture.com/elsalvador.html

Germany

- www.amcham.de/ - American Chamber of Commerce Germany
- www.existenzgruender.de/migranten/englisch/01/02/ - Official Site German Ministry of Economics
- www.executiveplanet.com/business-etiquette/Germany.html
- www.germany-info.org/relaunch/business/doing_business/doing_business.html
- www.buyusa.gov/germnay/en/doing_business_in_germany.html
- www.worldbiz.com/germany.html
- www.hlbi.com/dbifiles/dbi_pdf/DBI%20Germany%20A4.pdf
- <http://rru.worldbank.org/DoingBusiness/LocalPartners/StartingBusiness.aspx?economyid=75>
- *Live & Work in Germany*, by Ian Collier

Great Britain

- www.babinc.org/ - British American Business Inc.
- www.hlbi.com/dbifiles/unitedkingdom.asp - Doing Business in The United Kingdom, HLB International
- www.businesslink4london.com/index.cfm
- www.london-innovation.org.uk/server.php?show=nav.001003009 – *Starting a Business* by London Innovation
- Department of Trade and Industry (DTI)



- Enterprise Centre
- www.pdd.co.uk – PDD is a private company which specializes in helping companies build their business through product innovation
- www.whatif.co.uk – “What If” aims to release the creative potential of businesses, increasing their profitability.
- www.lambeth.gov.uk/services/business/support-advice/start-up.shtml
- www.westminster.gov.uk/Business/businesssupportandadvice/startbusiness.cfm

Guatemala

- www.quetzalnet.com/

India

- www.amchamindia.com/amcham/home/home.xml
- www.executiveplanet.com/business-etiquette/India.html
- www.indiserver.cm/bizdbi/dbi.html
- http://styusinc.com/business/India/business_india.htm
- www.msi-network.com/content/doing_business_in_india_page1.asp
- www.morebusiness.com/running_your_business/management/d930585271.brc
- <http://rru.worldbank.org/DoingBusiness/LocalPartners/StaratingBusiness.aspx?economyis=89>

Israel

- www.hlbi.com/dbifiles/israel.asp
- www.amcham.co.il/main/siteNew/index.php

Kazakhstan

- www.amcham.kz/ - American Chamber of Commerce in Kazakhstan
- www.salans.com – *Doing Business in Kazakhstan*, by Salans

Korea

- www.hlbi.com/dbifiles/korea.asp - Doing Business in the Republic of Korea
- www.amchamkorea.org/ - American Chamber of Commerce in Korea

Mexico

- www.hlbi.com/dbifiles/mexico.asp - Doing Business in Mexico
- www.mexonline.com/business-info1.htm - Starting a Business in Mexico
- <http://rru.worldbank.org/DoingBusiness/ExploreTopics/StartingBusiness/Details.aspx?eco> – Doing Business – Starting a Business Details – Mexico – World Bank (Starting a Business – Explore Topics – Doing Business – The World Bank Group)



- www.fita.org/useful/archives/46.html - Mexico business resources
- www.amcham.com.mx/ingles/index.php

Poland

- www.amcham.com.pl/glowna.phtml - American Chamber of Commerce in Poland
- www.hlbi.com/dbifiles/poland.asp - Doing Business in Poland
- www.polandembassy.org/Business/p5-1.htm

Portugal

- <http://rru.worldbank.org/DoingBusiness/ExploreTopics/StartingBusiness/Details.aspx?economyid-155> - Doing Business in Portugal
- www.hlbi.com/dbifiles/portugal.asp - Doing Business in Portugal

South Africa

- http://directory.google.com/Top/Regional/Africa/South_Africa/Government/
- <http://rru.worldbank.org/DoingBusiness/ExploreTopics/StartingBusiness/Details.aspx?economyid=172>
- http://www.homecomingrevolution.co.za/html/business_useful.php
- http://www.escapeartist.com/efam/44/Escape_to_Cape_Town.html
- <http://www.werksmans.co.za/sabusguide/index.htm>
- <http://www.buyusa.gov/southafrica/en/293.html>
- <http://www.businessculture.com/southafrica/>
- http://www.msi-network.com/content/doing_business_in_southafrica_page2.asp
- http://www.msinetnetwork.com/content/doing_business_in_southafrica_page1.asp
- *Doing Business in South Africa*, consulting editor Jonathan Reuvid
- *E-commerce for South African Managers*, by C. H. Bothma



HOME BUSINESS SUCCESS STORIES

Animal and House-Sitting Service, Geneva, Switzerland

What did you have to do to get started?

It started word of mouth. People ask you to do this as a favor and it really is a job. I found that having children, people assumed that I would be in town more often so they would ask me to watch their house. Also because I love animals and have a dog and two cats, they assumed that it was OK to ask me if they could drop one more pet off while they were out of town, “just for the weekend.” Well it is still a job. So, because I am too nice, I would always say yes. Then I created a business out of it. The same people still use my services, but now they pay me, instead of bringing back a tacky souvenir of wherever they went, to express their gratitude.

On a work permit side, this started just amongst friends. As the business grew and I realized that I would soon need to hire others to help me with the increasing volume of demand, I did declare myself as an independent. I have to keep books, pay taxes, all the admin stuff that goes with having your own business. But it is more or less the same process that it would be in the US. The work permit was just a matter of paper work, no problem.

Do you have any words of wisdom for other spouses wishing to start a business?

Do it! I thought about it and made up all kinds of excuses and put it off and told myself it was silly and that it wouldn't work and held myself back with the negativity. In the end, it is a lot of work but worth it! It is a service that people appreciate, that they need. I don't do any marketing, it is all just word of mouth. My customers are happy and they let other people know about it.

What obstacles did you encounter in starting your business that were caused by your diplomatic status or your overseas location?

My location, in Geneva, Switzerland actually helped my business. Because it is located in the middle of everything, it seems, people are constantly taking vacations, so never ending travels mean never ending need of people taking care of their four legged loved ones. My diplomatic status, however, does not transfer or protect me when I am engaged in business. It is still active in my private life, but I do not receive immunity from my actions in business.



Clinical and Consulting Psychologist, Berlin, Germany

Dr. Mark Lassleben is a trained clinical psychologist who is currently applying his skills and experience to a completely new professional field. Once focused completely on the field of clinical psychology, he now also acts as a consultant in the Human Resources sector. He went through this transition while living and working in Switzerland, where there was only a very small market for clinical psychology services and a comparatively large market for Human Resource consulting. He found his skills as a clinical psychologist could be applied very effectively within this field. These core skills, coupled with his language abilities, allowed him to establish himself both in Switzerland and now in Germany as an HR Consultant for multinational companies. His most important advice to others: "Build an effective network, but never forget what your core skills are".

Consultant, Warsaw, Poland

Retired Air Force Colonel and GS-15 at the Pentagon in the Office of Secretary of Defense. Currently employed full-time under three separate contracts in Poland and the U.S.

Freelance Market Analyst Consultant, Seoul, Korea

Geoffrey Hwang is currently working as a free-lance market analyst consultant for a small Korean medical devices manufacturing company. Geoffrey has a MBA from William and Mary, a MS degree in Biochemical Engineering, and a BS degree in Microbiological Engineering.

Internet Services Consultant, Almaty, Kasakstan

Sharon Harden, a lawyer by profession, recalibrated her career and currently operates her own business maintaining websites as an Internet services consultant. She has improved her skills through online education and books to keep up with the dynamic and ever improving medium of the Internet. Initially, her compensation was just adequate, but as skills increased, her salary has more than doubled in less than six years.



Online Car Dealer, South Africa

Victor Williams had over three years of successfully selling over 100 vehicles on eBay in the Washington, D.C. area. Victor decided to use the same business model in South Africa for selling cars. Victor developed a marketing plan and conducted market research. The web-based service went on line in November 2004 and has averaged one sale per month. In February 2005, he sold three vehicles: two to the diplomatic community and one to a Chief Executive Officer of a U.S. corporation operating here in South Africa. Due to the overwhelming response from these communities, he has plans to expand his web-based services to additional sites offering vehicle parts and mobile communications services very soon.



CONSIDERATIONS FOR SELLING A PRODUCT OR SERVICE

Selling to the Diplomatic Community Exclusively

There are no steadfast rules or Department of State regulations that state that a spouse of a diplomat operating a business for the exclusive use of other diplomats is exempt from local business start-up policies, including registration and paying local taxes. However, since both the owner/operator of the business and all clients or customers have diplomatic status the logical extension would be that this exemption does exist. Still, be careful in making such an assumption. Check with the Management Officer to determine if in the past, businesses of this sort were accepted and/or ignored by the host government. In countries where no Bilateral Work Agreement or De Facto work arrangement exists with the host government, there may be a less accepting environment.

If work permits are required in your host country, you may still be expected to obtain one, even for a business that deals exclusively with other diplomats. Your Management Section can direct you on this.

On the Local Market

If your business provides a product locally, there are some specific concerns. First of all, will you need to store your inventory in your U.S. government-leased or -owned housing? If so, you will need to clear this with the Management Officer. There are no specific restrictions but s/he will want to be aware of what is being stored, how the items arrived in the country and whether there are any safety factors that need to be considered. As long as the material was not shipped into the country illegally (use of pouch or mail service or smuggled) and there are no concerns about safety, storing your inventory at home should be acceptable.

When considering the start-up of any business, a significant portion of your market research should involve identifying the targeted market. The make-up of that market audience can have an effect on the operations and tax liabilities. Check with your Management Officer to determine if there are any specific guidelines or rules to be considered if your clients or customers are locals, third country nationals, U.S. citizens, expatriates or diplomats.

You will also need to determine if a work permit is required when opening a business in your home. To find out, consult with the Management team, or inquire of the HR officer. If the host country recognizes a [Bilateral Work Agreement or a De Facto Work Arrangement](#), you can easily learn about the tax requirements. Where diplomatic spouses working on the local economy are



required to pay local income taxes, a diplomatic spouse who operates a business will most likely also be required to pay local taxes and to register the business.

Direct Sales

Over the past twenty years many spouses have attempted to conduct Direct Sales businesses such as Avon, Pampered Chef, and Tupperware. These businesses are often quite popular and are able to make the owner a respectable income. However, there are some cautions to consider. First, if you decide to operate such a business, you must determine a way to obtain the items sold other than through the mail service provided by the U.S. government. You are prohibited from using the pouch, the APO/FPO box or the U.S. mail if the mail is being delivered by mission vehicles and/or staff. It is sometimes possible to have each individual buyer's order shipped directly to the individual. If your buyers all have access to the pouch or other U.S. government-provided mail service, this would be permitted. Of course, this means that your clientele is definitely restricted plus your direct sales company may not be interested in shipping the product to individual buyers, as that is generally the responsibility of the seller in this kind of business. If the direct sales company has a local distributor then the problem may not arise. Before deciding to conduct a Direct Sales business, check out the distribution and mailing system. This can often be negotiated with the home company.

One last local market consideration concerns your immunity. U.S. Government employees and their families acquire immunity that protects them from prosecution of a criminal or civil nature. When a spouse chooses to work on the local economy rather than inside the U.S. mission s/he is required by the host government to relinquish civil immunity during work hours. This has been acceptable to the U.S. Department of State throughout the years. Now that more and more spouses are considering self-employment the immunity issue has surfaced. Generally, if you conduct business from your home, then you have informally relinquished your immunity for business-related activities. This includes any activity that may bring a client or customer into your home. If the client suffers from some sort of accident or injury you could be held liable. This is why it is imperative that you obtain an appropriate amount of liability insurance for your business.



CONSULTING

USAID Consulting and Contracting

Professional spouses often find consulting a viable employment option when living overseas. If you are assigned to a more undeveloped country, consulting for USAID, international development organizations, international NGOs or consulting firms funded by any of those, might be right for you. Those with a development background will find this alternative quite attractive. However, even if you have no specific development experience you may be able to identify transferable skills that are needed for projects being considered or in progress.

Unfortunately, finding out about local projects or possible contracts can often be somewhat obtuse. Often when a NGO or consulting firm is looking for resumes for key consultants to bid on an upcoming project, they will put out an announcement worded as follows:

“_____ is seeking qualified candidates for a potential USAID-funded program”

This does not mean there is an opening, it means the organization wants to bid on an interesting project but needs to identify KEY personnel, one of the USAID evaluation factors when reviewing proposals. If the project interests you and you hold the necessary qualifications, you can apply to be part of the proposal. If you are accepted as a KEY personnel member and the contract is awarded to this organization, you will be employed. It is important to be aware of certain restrictions that may affect your candidacy. For instance, you cannot be listed by more than one organization bidding on a particular project as a KEY personnel. Therefore, if you are selected by the organization to hold one of the long-term positions such as chief-of-party, deputy-chief of party, or a technical expatriate position, you will probably be asked to sign an exclusive letter of commitment. That puts the onus on you to determine which organization has the best probability of winning the contract.

Other opportunities, such as short-term technical assistance positions, are available once the contract has been awarded. Therefore, if you have been listed as KEY personnel with an organization other than the one that won the contract, you can then be considered for short-term consulting with the winning organization. You can also apply for these positions without having been part of the original proposal of any organization.

Determining what projects are being considered is somewhat complicated. There are two centralized websites where all U.S. federal grants and contracts are listed. They are www.fedbizopps.gov and www.fedgrants.gov. However, these sites do not provide the names of the organizations that will likely bid on the project. To determine this information you will need to contact USAID and ask which contractors are currently working on the same type of project in the



country. Generally, these contractors will bid on similar projects that involve similar kinds of work. These are the organizations to which you should send your resume. You should also attempt to find out who the competing contractors are and make contact with all of them. Send out your resume and do as much networking as possible to increase your chances of being listed on the proposals.

The next step you can take is to determine who the proposal development team leader is and contact him/her directly. Calling the company headquarters in the U.S. should yield this information. As in all job searches, having a personal contact like this will greatly increase your chances of being listed in the proposal. Networking is a vital part of identifying and landing development contracts overseas.

One way to become a significant part of an organizations team is to offer to assist in the preparation of the proposal. Often a team is sent in from headquarters to prepare the proposal. Having a person on the ground with local contacts and language capability can effect the outcome of the proposal. If you are in a position to provide this assistance, then you have an open door opportunity right in front of you. When providing this assistance, be careful not to alienate any of your network contacts from other organizations, especially those that may also be preparing a proposal for the same contract. No sense in burning your bridges.

If you have not worked in the development field and are unfamiliar with the process, it is important to note that the length of time it takes for a bid request to be processed and awarded is generally a minimum of four months and may take as long as a year. Therefore, spouses interested in this type of work should begin their search long before arriving at post. Although your assistance with the proposal may be limited, your professional experience could be of extreme interest to the organizations vying for contracts. Start the research and networking as soon as you learn of the location of your spouse's onward assignment.

As is the case with all U.S. government agencies, nepotism is a real concern for USAID. If your spouse works for USAID and you are interested in a USAID-funded contract you will first be required to communicate with the USAID lawyers to assure there are no conflict of interest issues. In some cases, the USAID employee may have to recuse him/herself from any further dealings with the organization who has hired his/her spouse.

There are some valuable tips concerning remuneration that spouses should be aware of prior to negotiating with an organization. All short- and long-term consultants working under a USAID funded project have to complete the USAID Contractor Employee Biographical Data form 1420-17. Your salary history over the past 3 years in employee positions and from consulting work is required. This information is then verified and used to set your current consulting rate. Once that rate has been established, it can increase by only 5% each year while



you continue as a consultant. (If you leave consulting for a full-time position elsewhere at a higher rate and then return to consulting, your new consulting rate will be set based on your most recent salary.) As you can see, if you have been employed at work that paid less than your highest rate in the last 3 years, it will negatively effect what USAID will establish as your rate.

If you have never consulted before and are attempting to determine how to set your consulting rate, the easiest way is to take your previous base salary, add 25% for benefits, then divide by 250 (50 weeks working 5 days per week) for your daily rate. For example:

If you were working as a teacher fulltime and are now interested in a short-term consulting position on a curriculum development project, how much should you be paid?

Salary as a fulltime teacher: \$40,000

Benefits (add 25%): \$10,000

Total: \$50,000 divided by 250 = a daily rate of \$200/day.

The current maximum daily rate that USAID is permitted to pay without receiving a waiver is \$593 per day.

If you are consulting for a local organization overseas and they cannot pay your minimum daily rate, you need to be careful how your compensation is calculated and reported. A lower daily rate in your employment history will negatively affect your ability to earn more through future USAID-funded contracts. It is better to ask for your contract to be structured so you are being paid a fixed amount for a specific amount of work (i.e. \$1,000 to develop a first grade English curriculum) so that your salary history does not include a lower daily rate than your established minimum.

Information on USAID consulting was taken from an article by FLO Director Ann Greenberg.

Independent Consulting

Spouses are not restricted to USAID contracting. Many spouses are highly trained professionals with skills that are easily marketed for independent consulting. Project management, events planning, financial advising, career coaching, just to name a few, are fields that can be pursued overseas or online. Any spouse with the experience, expertise and background to offer consulting might consider starting their own business. This could be either a local endeavor or an online company, depending on the host country's market and business restrictions.



The process for starting a consulting business is very similar to the process described for starting a home business (see Appendix A). One of the greatest advantages to consulting is the low start-up cost. A consultant needs marketing money, office equipment, software and a telephone line for an office along with printing costs to cover business cards, letterhead, brochures, etc. However, these costs are generally significantly lower than the costs of stocking an inventory and/or renting office/retail space.



GUIDELINES FOR STARTING A CONSULTING BUSINESS WHILE LIVING OVERSEAS

Self-Assessment

As with any job search or career change, the first step is self-assessment. Perhaps you have already conducted an in-depth self-assessment and are comfortable with your knowledge of your skills, talents, and values. However, when considering starting your own business, especially a consulting business, you need to evaluate your entrepreneurial abilities. Once you are confident that you have the personality, organization, knowledge, business sense, managerial skills and required physical and psychological factors to be successful, you are ready to target your market. (See Appendix B for specific entrepreneurial characteristics.)

Market Research

Market research is vital. You need to determine if your expertise is needed. You also need to decide if your audience is local or Internet-based. If you are an events-planner, can you do this via the Internet or does it require your presence on-site? Not all consulting skills can be delivered online. Any kind of psychological counseling is difficult to deliver without personal face-to-face time. A good place to begin your market research is through conversations with prospective clients. Determine what problems these clients are experiencing and offer possible solutions through your services. Is the client receptive? If so, you then need to ascertain what s/he would pay for this service. This can usually be established by finding out what fees are currently being paid for other consulting services.

Networking

Consultants often network among themselves. This is valuable because it can provide you with information on specialties, strengths, weaknesses, methods of marketing, size of his/her firm, location, clients and fees charged. It can also provide you with valuable referrals. Perhaps a contact has been approached to do a job, but simply cannot fit it into his/her schedule. You come to mind as that competent go-getter who was digging for market information and are called. Voilà, you have your first contract. Your network of consultants can also provide you with information on local trends, general information and professional satisfaction. Try to attend seminars, trade shows and professional meetings to broaden your professional network.



Organizing

If your research and self-assessment have led you to the decision to start a consulting business, you are ready to establish and manage your business. That means you must organize your business. This is when you will have to determine how local law and regulations covering your diplomatic status will affect your business. Check with your Management officer before proceeding.

Determine Status of Business

You will need to decide on corporate or non-corporate status. Often beginning consultants choose sole proprietorship because of the ease and low cost. You may decide to incorporate later if the business grows and you become concerned with personal and tax liability. You must also check out the certification and/or licensing requirements in the host country, if you are providing local services. If you have decided on an e-consulting business you may not be required to be licensed or certified, but you may need these documents to establish your expertise in your field. This is a good time to discuss with an attorney, professional tax accountant and other professional advisors to help you make an educated decision about the structure of your new business.

Naming your Business

Selecting a name is the next step. In order to register your business you must first have a name. Registering is important as it establishes your legitimacy and makes your interactions with the IRS less complicated. What's in a name? It must communicate the purpose of your business and the services you provide. Remember, first impressions are very important in business and the name of your business will create the first impression for many clients. Being creative is good as long as it isn't "cutesy" and that it does communicate the purpose of the business. Brand-name identity is important if you are introducing a unique product or service. If your business takes off, you may want to franchise it and the name will be synonymous with the product/service. Be sure to determine if the name you have chosen is available. Consult a business attorney about trademarking the name. Do not invest a great deal of time or money into a business until you have protected the name you have chosen.

Determining Fees

There are many ways to calculate the fees you will charge your clients. You may charge an hourly fee, a daily fee, a project fee or for a long-term client, a retainer fee. Regardless of which method you use, you will first need to establish how much you must charge in order to fulfill all of your financial obligations. There is



a simple formula you may decide to follow. Start with a standard work year, which is made up of 2080 hours (52 weeks x 5 days/week x 8 hours/day). Then subtract the hours you will need for time off or other tasks. Perhaps something like 5 holidays plus 5 vacation days plus 5 sick days times 8 hours /day or 120 hours. Also deduct training days (5 days x 8 hours/day = 40 hours), administrative tasks (49 weeks x 5 days/week x 2 hours/day = 490 hours) and minimum marketing time (49 weeks x 1 day/week x 8 hours/day = 392 hours). That is a total of 1042 hours to be deducted from the total of 2080 hours per year. That leaves you with only 1038 hours per year to bill to clients. Of course, there is no guarantee that you will be able to bill each of those hours.

The next step is to determine your total costs. This includes salary, self-employment tax (currently 15.3%), retirement, personal insurance, and overhead. Now that you have an amount for total costs, divide it by the number of billable hours (1038) and that is your hourly rate. Now, to determine your daily rate simply multiply by 8.

If your client wishes to be charged by the project rather than hourly or daily, you will need to estimate the number of hours you believe the project will take. It is always wise to inflate this estimate to cover any unforeseen slow-ups. With project fees you need to be careful to detail in your contract exactly what the fee covers. Many consultants discover that clients will attempt to add-on little things along the way that may eventually eat up all the expected profits.

Retainer fees are charged to the client on a monthly basis and provide the client with access to your services at a moment's notice. If you have several clients on retainer, you could find yourself unable to meet the demand. However, with good organization and excellent contacts you can arrange to subcontract pieces to other consultants you know and trust (another advantage of networking). To determine the appropriate monthly fee you will need to establish an estimate of the approximate number of hours you expect the client requires. In your contract (contracting is covered on page 30) you should stipulate how many hours you can provide for the stated fee and establish what additional hours will cost.

Some consultants are reluctant to offer free initial consultations. The concern is that the client will not respect the expertise of someone who is willing to give the service away. However, it has become an industry standard to provide the initial consultation free of charge. The advantage to you is that it gives you the opportunity to develop a relationship built on trust, which will be long-lasting and will result in more fees and referrals.



Marketing Consulting Services

Marketing of any kind is either direct or indirect. The strategy that generally works best for consulting is indirect marketing. This includes networking because your clients will come from the people with whom you have a relationship. It is important to include everyone you know on your contact list and get in touch with each of them to inform them of your new business. Ask for their assistance by providing you with possible leads and introductions.

Use your school ties to develop your network. Most colleges maintain alumni associations. If you are not already active in your alumni association, join! Having a ready-made connection with a complete stranger is very important to network development. Attending the same school provides you with common ground to start a conversation.

Join and actively participate in your professional associations and public meetings. These activities will keep you informed of trends and new policies in your field, but even more importantly, will also help build your network and help you learn of clients and possibly land some subcontracting work. Professional association membership and authoring OP-ED pieces will increase your reputation as an expert. Lecturing is another way to do this. You can volunteer to speak to associations, service organizations, church groups, wherever your expertise would be valued.

Finally, in today's world of information technology, you must have an online presence. Whether it is a simple Web site providing contact information and a mission statement or an in-depth site with articles, course offerings, fee schedules, etc., you must be easily identified and reached. One very valuable marketing tool is a regular newsletter. If you decide to offer a newsletter there are a couple of tips to keep in mind. First, determine a regular schedule for publication and then stick to it. No matter what the reason, if your newsletter is late in arriving you will lose some credibility. You can publish your newsletter weekly, monthly, quarterly, or even semi-annually. The publication schedule will depend on your time constraints and how much information you have to share. Secondly, make sure your newsletter provides the reader with valuable information and isn't just a selling tool. It is perfectly acceptable to advertise upcoming lectures, classes or your services as long as the bulk of the newsletter is filled with useful information on trends, new developments and "what's hot." A newsletter is a valuable marketing tool if it is of use to the reader. The more readers you distribute your newsletter to, the greater number of potential clients you will have.

The second type of marketing, direct marketing, is not often used in consulting businesses. The most effective types of direct marketing for consulting are:

- Regular distribution of business cards
- Current and dynamite resume



- Professional brochures
- Web page
- Marketing letters
- Cold calls

The last two are not particularly valuable unless you have some dynamic new service or event to announce. The most useful direct marketing tools are your business cards, resume and brochures. You can use all of these to assist in building your network and with demonstrating your expertise. Be sure to always carry business cards with you and make sure they are very professional looking. This is an item you don't want to cut costs on. The business card should not only give your business name and contact information but should also display a logo. You can begin branding yourself and your consulting service by distributing your business card to each and every contact you meet.

As a last resort, you can depend on a third-party marketing agency to conduct your marketing. This is not always successful, especially in the Foreign Service life of constant moving. Although there are agencies and firms that provide effective marketing and even maintain the entire record-keeping end of the business for you, they are not as capable of demonstrating your expertise as you would be.

When conducting your own marketing you will need to dedicate a large percentage of your time to getting yourself noticed. Whenever possible, present press releases to publications interested in your specific service. The more often people read about you and see you in the news the longer they will remember your name and service. Of course, once noticed, you must be responsive to any inquiries in order to make the sale. Develop a personal and professional reputation for customer service and problem solving. You may want to do some volunteering in your field to help develop that reputation.

It is important to be flexible yet focused. After honing your specific consulting skills the next most important part of your business development is your relationship with your customers. You will have to be available when they need you and that may mean last minute changes to your schedule. Be ready to make those changes, but never forget your mission and always deliver on time.

These tips will do a great deal in building your all-important reputation.

Building a Foundation

Once a contact calls you to discuss a possible project, the first thing you need to do is determine if the client really needs your skills and if s/he actually has the authority to hire you. You can do this by asking several probing questions.



These questions should cover the client's current challenges, priorities, key issues, obstacles and desired outcomes. Be sure that your skills match the project's needs. If this discussion is done with several members of an organization or business, quickly identify who really is the client.

If you can establish that you are a good match for the recognized project, you will next need to determine how ready the client is to actually hire someone. Often this is determined by the availability of money. But another factor that may affect the client's readiness would be time: Is the client in a hurry to solve the problem, or is it a backburner issue?

You have gone to a lot of time and effort to establish yourself as an expert and a shrewd businessperson. However, that can all be lost if you accept a project that does not match your skills or if the client does not have the ability and/or authority to pay your fee. Take the time to qualify the client and the project before writing a proposal. Check with your network and ask other consultants who have worked for this organization about what problems they had and how satisfied they were with the project management. Taking the time to qualify your clients will keep you from experiencing damaging problems later.

Writing a Proposal

The basic rule to writing a proposal is to keep it simple. You will rarely receive detailed requirements from businesses or organizations about the contents of a proposal. The proposal should include a description of your involvement, the amount of time you will need to complete the project and the relevant fees. Since proposal-writing costs you a great deal of time and effort, ask the client if a formal proposal is the next step. If the answer is yes, then determine the deadline and then get to work. Be sure to include your client's perceptions of the problem as well as your own opinion, even if they differ. You need to eliminate any confusion over the scope or outcomes of the proposed project. A good way to organize a proposal is in a set of suggestions for solving each problem you have identified. Clearly spell out the details and avoid open-end statements. Be specific in what your obligations are to the company and what its obligations are to you.

Writing a Contract

There are several contract forms you can use in consulting. You may decide that all you need is a Letter of Agreement, which has a less formal tone, but is just as binding as a general contract. You can actually convert your proposal into a Letter of Agreement by simply ending the proposal with the following language: "Accepted and Agreed" followed by signature and date lines.



If you need a more formal understanding, a General Contract should be used. The General Contract is a detailed and elaborate document in which every relevant condition of an agreement is specified. It is usually best to use the services of an attorney for these documents, unless a client has a standard contract s/he uses and that you feel comfortable signing. Remember, everything in a contract is negotiable!

All contracts should include:

- An opening section identifying the contractor and client parties
- Definition and scope of services to be performed
- Clearly defined objectives
- Breakdown of consultant's responsibilities
- Breakdown of client's responsibilities
- Time for delivery of services
- Provision for equipment, supplies and expenses
- Fee payment schedule
- Terms of ownership of the resulting product
- Effective dates of the contract
- Conflict of interest/exclusivity/non-compete provisions
- Insurance requirement

(from *Be Your Own Business! The Definitive Guide to Entrepreneurial Success*)



YOUR STATUS WITH THE IRS

Unfortunately, statistics show that the IRS audits self-employed consultants more often than any other profession. Therefore, you must maintain very detailed, accurate records. The first concern is whether the IRS will consider you a contractor or an employee if you conduct the majority of your work for one business or organization. The following information comes from the IRS Web site:

Employee or Independent Contractor

Whether someone who works for you is an employee or an independent contractor is an important question. The answer determines your liability to pay and withhold Federal income tax, social security and Medicare taxes, and Federal unemployment tax.

In general, someone who performs services for you is your employee if you can control what will be done and how it will be done.

The courts have considered many facts in deciding whether a worker is an independent contractor or an employee. These facts fall into three main categories:

- **Behavioral Control** – Facts that show whether the business has a right to direct and control. These include:
 - Instructions - an employee is generally told:
 1. when, where, and how to work
 2. what tools or equipment to use
 3. what workers to hire or to assist with the work
 4. where to purchase supplies and services
 5. what work must be performed by a specified individual
 6. what order or sequence to follow
 - Training – an employee may be trained to perform services in a particular manner.
- **Financial Control** – Facts that show whether the business has a right to control the business aspects of the worker's job include:
 - The extent to which the worker has unreimbursed expenses
 - The extent of the worker's investment
 - The extent to which the worker makes services available to the relevant market
 - How the business pays the worker
 - The extent to which the worker can realize a profit or loss
- **Type of Relationship** – Facts that show the type of relationship include:



- Written contracts describing the relationship the parties intended to create
- Whether the worker is provided with employee-type benefits
- The permanency of the relationship
- How integral the services are to the principal activity

Record Keeping

The major reason for maintaining accurate records is to be prepared for the almost inevitable letter from the IRS announcing that your business is being audited. Generally, the IRS will only require records for a single tax year. Not only will the IRS be very interested in your records but you will also need them to meet legal requirements, minimize your liabilities, optimize your collection efforts, and provide data for decision making.

You need a well-organized system to record all financial transactions and will need to take the following documentation to an IRS audit:

- Client invoices
- Expenses
- Accounts receivable
- Payroll
- Bank statements (all accounts, personal & business)
- Canceled checks
- Original charge card receipts
- Original store receipts(with notation of what was purchased)
- Calendar or appointment book with details of trips, meals, etc. (Personal Digital Assistant print out year's calendar)
- Copies of leases
- Tax returns for year before and after the audit
- Home-office dimensions

The IRS is looking for consistency, and excellent records will provide it. You may wish to enroll in the Small Business Tax workshops offered by the IRS. To learn more about when the workshops are available check out <http://www.irs.gov/businesses/small/article/0,,id=99202,00.html>

Self-study formats of the small business workshops are available online if you are unable to attend the workshops in person. Visit the IRS [online classroom](#) to view the workshops, which are available in both English and Spanish.



These workshops are designed to help the small business owner understand and fulfill their Federal Tax responsibilities. Workshops are sponsored and presented by IRS partners who are Federal Tax specialists. Workshop topics vary from a general overview of taxes to more specific topics, such as recordkeeping and retirement plans. Although most are free, some workshops have fees associated with them. Any fees charged for a workshop are paid to the sponsoring organization, not the IRS.



WORK PERMITS & IMMUNITY

Work Permits

Check with your Management Team at post to determine if you will need to obtain a work permit. If you are operating an E-business, it is less likely you will need one. Therefore, when speaking with your Management Officer, make sure to mention where your business will be conducted and who your customers will be.

Immunity

Home-based businesses are rarely covered specifically in bilateral work agreements or de facto work arrangements. Also, there is no specific FAM citing on immunity and home businesses. So the issue of relinquishing your immunity may not be covered in any specific document. However, 3 FAM 4125(c) does state that a “family member accepting employment abroad should bear in mind that he or she loses civil immunity from judicial process for activities relating to employment and would be subject to the payment of taxes on income from non-diplomatic employment.” This is important to remember and to plan for by purchasing liability insurance to cover your home and you personally.



E-BUSINESSES

ebay

One type of E-business is an ebay selling operation. Many Foreign Service spouses have discovered just how simple and profitable ebay can be. Since the Foreign Service life requires frequent moves, and living in locations around the world makes access to unusual and sought-after items a matter of fact, ebay may work for you as well. Each time you pack and unpack, do you find many items you just don't want any longer? Why not try your luck with ebay?

The process is quite simple and a tutorial on exactly how to register and sell can be found at <http://pages.ebay.com/education/sellingtips/index.html> There is a four step process: register, complete the sell-your-item form, track your items and finally receive payment and ship. There are three basic fees; an insertion fee that is non-refundable, an additional option fee charged only if you choose optional seller features, and a final-value fee – a percentage of the final sale price and charged only if the listing closes successfully.

Shipping may be your biggest concern if you are living in a remote or undeveloped area, so be sure to identify shipping options and costs before making your decision to sell. Shipping costs can be included on the selling item form, but if they are too exorbitant the item may not sell. It is important to remember that use of the diplomatic pouch, APO or FPO mail service, or even U.S. mail if the delivery is done by a Mission employee and/or vehicle is prohibited for business/commercial mail. You will have to use local services. If you decide to list an item, ebay highly recommends the use of photos, as buyers are much more likely to purchase items they can see.

Payment for your item can take many different forms. You may choose to accept checks but this is risky. Most ebay sellers use PayPal. Although there is a fee involved the advantages are many. For instance, you can receive payment immediately, you can accept credit card payments and bank account payments, and you are protected with the Seller Protection Policy which protects you against charge-backs due to fraud.

One question that often arises when considering selling on ebay is about federal tax requirements. If you sell personal property, it is subject to tax at capital gains rates if you should sell it at a profit. Since most items sold on ebay are sold at a loss, there's no gain to report. Losses on personal items are not deductible, so the ebay sales do not have to be reported. On the other hand, if you are selling for profit, even as a hobby, be sure to download all your transactions every month as ebay does not keep annual summaries of your sales or issue IRS forms 1099. Record keeping is your responsibility. All profits gained from these sales are required to be reported.



Another concern of spouses residing overseas is the customs inspection requirements. You will need to check with your Management officer to determine what limitations and restrictions you will be required to follow. Also check with local shipping companies to determine rates, restrictions and schedules.

e-Entrepreneurs

The Family Liaison Office has recently offered e-Entrepreneurial training for spouses interested in operating a business online. The training is provided by StaffCentrix, a successful e-business that is also working with the Department of Defense. The purpose of the training is to help Foreign Service spouses learn to leverage their skills and expertise to build virtual businesses that are financially viable, portable, and personally gratifying. The expected outcomes of the training include:

- Enhanced self esteem
- A career that is unaffected by the local economy & job market
- The option to eliminate child care outside the home
- The elimination of work-related transportation issues
- Enhanced family income
- Diminished family stress
- A general improvement of your quality of life

The greatest advantage of an e-business is the fact that they are relocation proof. If you can provide a virtual **service** to a responsive market, then you may be well-suited to e-Entrepreneur training.

StaffCentrix publishes a weekly newsletter, *Rat Race Rebellion*. This newsletter lists telework job ads that have been researched to insure their reliability. Jobs range from writers, editors, translators to graphic designers and attorneys. If e-business interests you but you are not ready to start your own business you may wish to subscribe to the *Rat Race Rebellion*. For subscription information go to www.2secondcommute.com/RRRWB_IE.htm. The subscription rates for individuals range from \$15 for one month to \$52 for a full year's subscription.

You may be wondering what types of businesses lend themselves to Virtual Professionals. Some examples include:

Architectural Firms
Authors/Actors
Book Publishers
Companies Expanding Overseas
Consulting Firms
CPA Firms
Distance Learning Providers

Film Production Companies
Import/Export Companies
Insurance Companies
Intelligence Agencies & Contractors
Interpreting/Translating Companies
IT Support Companies
Law Firms



Literary Agencies	Professional Speakers
Litigation Support Firms	Software Development Companies
Magazine Publishers	Startups
Multinational Companies	Tax Preparation Companies
Nonprofits	“Think Tanks”
Politicians/Political Research Firms	Training & Development Companies
PR & Ad Firms	

The Family Liaison Office’s training in e-Entrepreneur is not only offered in Washington, but also at each of the SNAP posts around the world and at posts where CLOs have received “train-the-trainer” training (during 2005, 45 CLOs became e-Entrepreneur trainers) . If you are interested in participating in this valuable training, contact your CLO, the SNAP Local Employment Advisor or the Special Employment Projects Coordinator in the Family Liaison Office.



RESOURCES

Consulting

- *Guerrilla Marketing for Consultants*, Publisher - John Wiley & Sons, by Jay Conrad Levinson & Michael W. McLaughlin
- *The Consultant's Guide to Getting Business on the Internet*, Publisher - John Wiley & Sons, by Herman Holtz

E-Business

- *Mompreneurs Online Using the Internet to Build Work @ Home Success*, by Patricia Cobe and Ellen H. Parlapiano
- AOLPress: <http://www.aolpress.com> – available to all Internet users
- Arachnophilia: <http://www.arachnoid.com/arachnophilia/>
- ArtToday: <http://www.arttoday.com> \$30 a year unlimited access to 750,000 graphics
- Bizland: www.bizland.com
- Department of Commerce's Inter.Nic website: www.internic.net
- Desktop Publishing.com: <http://www.desktoppublishing.com>
- Digital Women: <http://www.digital-women.com/>
- Earthlink: www.earthlink.net
- E-Builders: www.e-builders.net
- HyperMart (free business hosting): <http://www.hypermart.net> – allows 10 megabytes
- Network solutions: www.networksolutions.com
- The Online Women's Business Center (co-sponsored by SBA): <http://www.onlinewbc.org>
- Value Web: www.valueweb.net
- Voices of Women Online: <http://www.voiceofwomen.com> (Web space and will host your domain free. You will be required to carry its ads on all of your pages).
- Web Your Business: www.webyourbusiness.com
- Yahoo! Store
- Web Source - <http://www.web-source.net/>



Expatriate Websites

- Expat Focus: www.expاتفocus.com – Information and advice for expatriates worldwide
- Expat Exchange: www.expاتفexchange.com
- Expatica: www.expatica.com/belgium
- Expatriate-online: www.expatriate-online.com
- Expats in Brussels: www.expatsinbrussels.com
- ExpatSite.com: www.expatsite.com (community portal for expatriates worldwide)
- International Community online in English: www.xpats.com
- Net Expat: www.netexpat.com
- People Going Global: www.peoplegoingglobal.com (cultural and expatriate information on the five continents)
- Settler International: www.settler-international.com (worldwide relocation & business services)
- Webcenter for expatriates in Belgium: www.expataccess.com

General Home Business

- *Be Your Own Business! The Definitive Guide to Entrepreneurial Success*, by LaVerne L. Ludden, Ed.D
- *Making Money with your Computer at Home*, by Paul and Sarah Edwards
- *Mind Your Own Business! Getting Started as an Entrepreneur*, by La Verne Ludden, Ed.D & Bonnie Maitlen, Ed.D
- *Mompreneurs: A Mother's Practical Step-by-Step Guide to Work-at-Home Success*, by Ellen H. Parlapiano and Patricia Cobe
- *More 101 Best Home-Based Businesses for Women*, by Priscilla Huff
- *The Best Home Businesses for the 21st Century: The Inside Information You Need to Know to Select a Home-Based Business That's Right for You*, by Paul Edward and Sarah Edwards
- *The Business Start-Up Kit*, by Steven D. Strauss
- *The Everything Home-Based Business Book*, by Jack Savage
- *The Stay-at-Home Mom's Guide to Making Money from Home*, by Liz Folger
- A Work at Home Community: www.workathomecommunity.com



- Bizy moms: <http://www.bizymoms.com>
- Business Ideas: www.liraz.com/feasible.htm
- Business Know How: www.businessknowhow.com/
- Business Planning Institute: www.bpiplans.com/Articles.htm
- Business Plans: www.bplans.com/g
- Home Business Research: www.homebusinessresearch.com/index.html
- Home Office Association of America: <http://hoaa.com>
- Home Professionals: www.homeprofessionals.com
- Idea Café: <http://www.ideacafe.com>
- Insurance Information Institute: <http://www.iii.org>
- Marketplace Resource Center: www.imarketinc.com
- Microsoft Small Business Support: www.microsoft.com/smallbiz
- Moms Network Exchange: <http://www.momsnetwork.com>
- Power Home Biz: www.powerhomebiz.com
- Small Business Administration:
www.sba.gov/starting_business/planning/basic.html
- Small Business Administration's Service Corps of Retired Executives (SCORE) 1-800-634-0245
- Smart Business Supersite: <http://www.smartbiz.com>
- Solutions for Growing Businesses: www.entrepreneur.com
- The Home-Based Working Mom (HBWM): <http://www.hbwm.com>
- U.S. Patent & Trademark Office – www.uspto.gov
- Venture Coach www.venturecoach.com
- Work-at-Home Moms (WAHM) <http://www.wahm.com>

Marketing

- *Grassroots Marketing: Getting Noticed in a Noisy World*, by Shel Horowitz, Chelsea Green Publishing
- *Principled Profit: Marketing that Puts People First*, by Shel Horowitz, AWM Books
- www.hansonmarketing.com/
- www.marketingpower.com



Market Research

- International Market Research:
http://www.cbasc.org/servlet/ContentServer?pagename=CBSC_FE/display&c=Services&cid=1081944212830&lang=eng Offers quick snapshots of the opportunities for a product/service in a particular market and business link.
- www.hoovers.com – worldwide company, industry and market intelligence
- www.marketresearch.com
- www.marketresearch.org.uk – international organizations

Newsletters

- *Home-based Newsletter Publishing: A Success Guide for Entrepreneurs*, by Wm. J. Bond, McGraw Hill
- *How To Make It Big as a Consultant*, by William A. Cohen, Ph.D.
- *Marketing with Newsletters: How to boost Sales, Add Members & Raise Funds with a Printed, Faxed or Web Site Newsletter*, by Elaine Floyd, EF Communications

Printed Materials

- Don't use any copyrighted material in logo design, www.cooltext.com
- www.printglobe.com
- www.printingforless.com
- http://dir.yahoo.com/Business_and_Economy/Business_to_Business/Printing/
- Vista Print:
<http://www.vistaprint.com/vp/ns/default.aspx?GP=7%2F26%2F2005+3%3A39%3A01+PM>

Taxes

- Available from the U.S. Internal Revenue Service www.irs.gov/:
 - Tax Guide for Small Business (Publication 334)
 - Small Business Tax Workshop Workbook (Publication 1066)
 - Estimated Tax Payments (Publication 505)
 - Starting a Business and Keeping Records (Publication 583)



- *Minding Her Own Business: The Self-Employed Woman's Guide to Taxes and Recordkeeping*, by Jan Zobel, E.A.
- Turbo Tax <http://www.turbotax.com/?source=glc4lp1a&venue=google&srch&kw=turbo+tax>
- H&R Block Tax Cut <http://www.taxcut.com/>
- Others: www.taxesites.com/software.html#prep

Writing

- *Writing for Money*, by Loriann Hoff Oberlin
- *Handbook of Magazine Article Writing*, edited by Michelle Ruberg
- *The Complete Idiot's Guide to Publishing Magazine Articles*, by Sheree Bykofsky, Jennifer Basye Sander, & Lynne Rominger
- Writers Online: <http://www.writer-on-line.com/markets/>
- Paying writing jobs: <http://www.justmarkets.com>

Women in Business

- *A Portable Identity – A Woman's Guide to Maintaining a Sense of Self while Moving Overseas*. www.aportableidentity.com
- The Athena Foundation – The Athena Power Link program helps women-owned businesses grow and profit with the expertise of professional advisory panels tailored to the business owner's specific needs. Email- Athena@athenafoundation.org